

(1) 10 percent with respect to amounts paid in connection with taxable transportation by rail, motor vehicle, water, or air which begins before November 16, 1962.

(2) 5 percent with respect to amounts paid in connection with the air portion of any transportation which begins after November 15, 1962.

(c) *Application of other rules to seats and berths.* The rules and provisions of §§ 49.4261-1 to 49.4261-6, inclusive, with respect to the tax on payments for transportation imposed by section 4261 (a) or (b) are also applicable to the tax on payments for seating or sleeping accommodations.

[T.D. 6430, 24 FR 9665, Dec. 3, 1959, as amended by T.D. 6618, 27 FR 11223, Nov. 14, 1962]

§ 49.4261-10 By whom paid.

The tax imposed by section 4261 is payable by the person making the taxable payment for transportation or for seats, berths, etc., and is collectable by the person receiving such payments. See section 4264 (a) and (c) for special rules relating to payment and collection of tax.

§ 49.4262(a)-1 Taxable transportation.

(a) *In general.* Unless excluded under section 4262(b) (see § 49.4262(b)-1), taxable transportation means:

(1) Transportation which begins in the United States or in that portion of Canada or Mexico which is not more than 225 miles from the nearest point in the continental United States (the "225-mile zone") and ends in the United States or in the 225-mile zone; and

(2) In the case of any other transportation, that portion of such transportation which is directly or indirectly from one port or station in the United States to another port or station in the United States, but, with respect to transportation which begins after November 15, 1962, only if such portion is not part of "uninterrupted international air transportation" within the meaning of section 4262(c) (3) and paragraph (c) of § 49.4262(c)-1. Transportation from one port or station in the United States to another port or station in the United States occurs whenever a carrier, after leaving any port or station in the United States, makes a regularly scheduled stop at another

port or station in the United States irrespective of whether stopovers are permitted or whether passengers disembark.

The provisions of this paragraph are applicable whether the transportation is by rail, motor vehicle, water, or air, or any combination thereof, except that with respect to transportation which begins after November 15, 1962, the tax, if applicable, applies only to the amount paid for that portion of the transportation which is by air.

(b) *Illustrations of taxable transportation under section 4262(a) (1).* In each of the following examples the transportation is taxable transportation and the amount paid within the United States for such transportation is subject to the tax:

- (1) New York to Seattle;
- (2) New York to Vancouver, Canada, with a stop at Jasper, Canada;
- (3) Chicago to Monterrey, Mexico;
- (4) Montreal, Canada, to Toronto, Canada; and
- (5) Miami to Los Angeles via Panama. If in the examples in subparagraphs (1) and (5) of this paragraph, payment for the transportation had been made outside the United States, such payment would nevertheless have been subject to tax since in each case the transportation begins and ends in the United States.

(c) *Illustrations of taxable transportation under section 4262(a) (2) beginning before November 16, 1962.* The following examples will illustrate the application of section 4262(a) (2) with respect to transportation beginning before November 16, 1962:

Example (1). A purchases in New York a round-trip ticket for transportation by air from New York to Havana, Cuba, with a stop at Miami. The amount paid for that part of the transportation between New York and Miami on both going and return trips is subject to tax, since such transportation is from one station in the United States to another station in the United States.

Example (2). B purchases a ticket in San Francisco for combination rail and water transportation from San Francisco to New York to Halifax, Canada, to London, England. The amount paid for that part of the transportation between San Francisco and New York is subject to tax, since such transportation is from one station in the United States to another station in the United States. Although Halifax is in the 225-mile